



Special Session Proposal

The spatial dimensions of productivity for regional growth

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Abstract

Productivity is an unsung hero in our lives. An abstract concept that for a long time was the topic of discussions in economics and among (some) policy makers seems to start making its way into day-to-day vocabulary of the mass media and into people's living rooms. There are good reasons for it – both positive and not so much.

On the positive side, first, productivity is the sole most important driver of improvements in living standards. While invention is needed to come up with new goods and services (and new technologies that can make our lives much more comfortable and enjoyable), it is productivity that allows for these new inventions to become widely available. Inventors created a car. Conveyor mass production lines delivered cars to every household in the developed countries. Second and as important, productivity defines wages (or labour income). In classical economics, labour is paid its marginal product. This relationship may be weakening in the last decades but, fundamentally, a firm needs to be more productive in order to be able to pay higher wages to its employees.

On the not so positive side, we have slowing productivity growth in the developed economies and growing interregional (and inter-firm) disparities in productivity. Both processes are worrisome. Decreasing rates of productivity growth can lead to cuts in public spending, reduced economic opportunities for current and future generations and stalled improvements in quality of life and wellbeing. Growing inequalities are even more concerning. Besides economic hardship in the left behind places (and for people who feel left behind), there are large societal implications across many domains – from psychological to social and economic - with increasing distrust in

institutions, geography of discontent and other processes that can undermine political stability and further jeopardise economic and social prospects for decades to come.

All this points to the importance of a steady and widely shared productivity growth. Such importance, however, has been traditionally acknowledged mostly at the national level in policy making and at an aggregate (firm- or industry-) level in academic research. Expansive productivity research based on industry (and more recently, firm) data delivered many insights on productivity-enhancing processes and drivers. It also made a strong case for policy interventions at the national and industry levels. As a result, regulation regimes, banking systems, industrial strategies are the prime focus areas for policies aiming to boost productivity. Place-specific efforts to enhance productivity historically were not a salient part of the discussions or policy efforts, as markets were expected to deliver welfare-maximising results with no additional interventions or modifications to the centralised approach to productivity.

In reality, free markets do not automatically lead to a spatially equal distribution of wealth and wellbeing, so regions should play a more active role in reducing productivity imbalances. While places traditionally have not been a big part of productivity-enhancing efforts, many of the places were the ones most sorely feeling the downsides of an uneven productivity growth. Increasing subnational inequalities in productivity performance and the growing role of geography in the flow of resources (or a lack of thereof) underscore the importance of regions and of policies with subnational and local scope for boosting aggregate productivity and reducing productivity disparities.

An acknowledgement of the role of places in shaping productivity performance is long overdue. Aside from the fact that productivity of regions defines aggregate national productivity, many productivity-defining processes have local and regional (subnational) dimension. Such dimension is increasingly recognised either due to changing productivity dynamics (e.g growing reliance on knowledge generation, which depends on spatially bound knowledge spillovers) or as a result of the new spatially-disaggregated research and our improving knowledge about regional productivity dynamics.

Special session

The now traditional OECD SPL special session on the spatial dimension of productivity brings together researchers interested in the topics of regional (productivity) growth, its effects and determinants. It offers a forum to discuss recent research and to brainstorm on the future directions of inquiry so that it can deepen our understanding but also inform policies for enhanced and sustainable regional growth.

We invite quality submissions that tackle the productivity-related issues broadly outlined above. A suggested (but not exhaustive) list of research questions of interest is given below.

- How and why space matters for (productivity) growth?

- What are the spatial patterns of productivity (recovery) during and after the pandemic?
- Are more productive places more resilient?
- What are (spatial) productivity implications of a massive shift to teleworking?
- How entrepreneurship, knowledge, skills and technologies are linked to productivity performance of regions? How these factors interact in defining productivity?
- What is the role played by infrastructure (including digital infrastructure), agglomerations and smart specialisation?
- How industrial structure of a region shapes its productivity and what types of industrial upgrading can drive regional productivity growth? Can green industrial transitions be linked to productivity?
- What are the spatial productivity implications of participation in GVCs?
- Can governance structure influence regional productivity performance?
- What can local and regional policymakers do to enhance balanced productivity growth?
- What is the role of the spatial dimension in the productivity-inclusivity nexus?